

Updated to Include Governor's Budget

Achieving Excellence, Increasing Accountability



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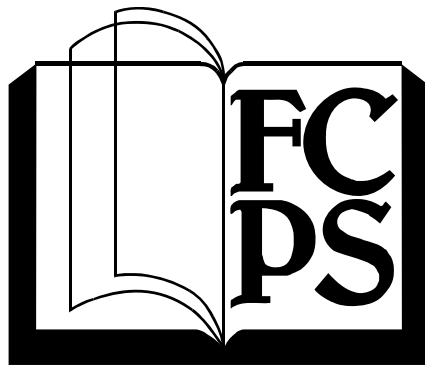
Mario Schiavo
Director, Budget Services



Updated to Reflect the Impact of the Governor's Budget

Expenditure Impact (\$ in millions)

| | Tier I - Mandatory | Tier II | Tier III | Tier IV |
|---|-----------------------|----------------|----------------|----------------|
| Basic and Mandatory Rate and Price Increases | | | | |
| Step/Lapse | \$2.2 | | | |
| Health Insurance Increases | 12.2 | | | |
| VRS Pick-Up | 5.6 | | | |
| Retirement Rate Increases | 30.7 | | | |
| VRS Life Insurance | 9.8 | | | |
| Workers Compensation | 1.5 | | | |
| Other | 2.9 | | | |
| Utilities | 6.3 | | | |
| Inflation - Repair Materials | 4.7 | | | |
| Replacement Equipment | 3.9 | | | |
| DVS Charges | 3.6 | | | |
| Equipment/Computer Leases/Maintenance Contracts | 2.9 | | | |
| FY 2005 Final Budget Review Recurring Costs | 1.7 | | | |
| Replacement Buses/Vehicles | 0.8 | | | |
| Building Maintenance | 2.6 | | | |
| Consolidated Administrative Building Lease | 1.8 | | | |
| Transfers to Other Funds | 2.8 | | | |
| Consolidated Administrative Building Savings | (2.4) | | | |
| Schools | | | | |
| Membership Adjustments | 2.3 | | | |
| Opening of New School | 1.9 | | | |
| Summer School | 4.5 | | | |
| Tier I - Mandatory | \$102.3 | | | |
| Compensation | | | | |
| Market Scale Adjustment - 3.0 percent | | \$46.5 | | |
| Tier II Total | | \$148.8 | | |
| NCLB Requirements | | | | |
| Full-Day Kindergarten Expansion | | | \$1.6 | |
| Staffing Initiative - Middle Schools | | | 1.0 | |
| Staffing Initiatives - Elementary Schools | | | 1.0 | |
| Textbook Adoption | | | 2.7 | |
| Community-Based Summer School Program Expansion | | | 1.0 | |
| Elementary Summer School Programs | | | 0.5 | |
| Evaluation, Test Analysis & Administration Specialists | | | 0.3 | |
| Instructional Programs | | | | |
| FLES, AVID, and FECEP/HeadStart Programs | | | 0.6 | |
| Focus School Initiatives, Young Scholars, IBMYP | | | 0.4 | |
| ESOL Transition Center, Education for Independence | | | 0.5 | |
| Alternative School - Expelled Student Program | | | 0.9 | |
| Upper Elementary, Middle School Math | | | 0.3 | |
| Technology | | | | |
| Technology Support Specialists - Elementary | | | 1.6 | |
| Email - Mailbox Size and Backup for Teachers | | | 0.4 | |
| 24/7 Learning Initiative Enhancements | | | 1.3 | |
| Technology Plan | | | 0.3 | |
| Facilities Preventive Maintenance Phase-In | | | 1.0 | |
| Tier III Total | | | \$164.2 | |
| Supporting and Rewarding Excellence Initiative | | | | \$20.0 |
| Total FY 2007 Proposed Budget Increase (Updated) | | | | \$184.2 |



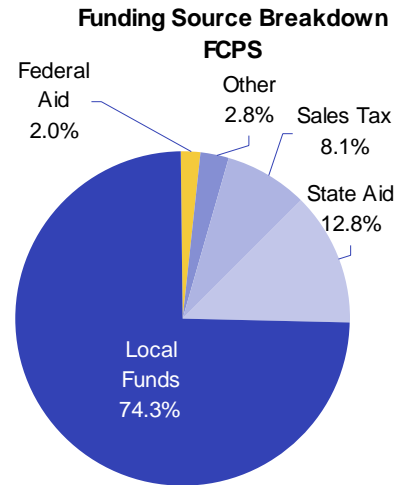
Operating Revenue - Updated

Revenue Overview

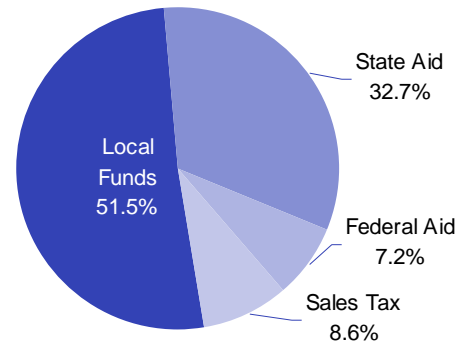
In FY 2007, all sources of revenue are expected to increase \$94.4 million, or 4.7 percent, over the FY 2006 estimate. A budgeted beginning balance of \$15.0 million for FY 2007 was set aside at the FY 2005 Final Budget Review. The primary source of operating revenue, the County General Fund transfer, is projected to increase 9.85 percent. State aid, another major funding source, is projected to increase 16.4 percent. Together, these two funding sources comprise 87.1 percent of all revenue projected for FY 2007.

When compared with other school divisions in Virginia, Fairfax County funds a much larger portion of its school budget with local funds. The average Virginia school division receives approximately 52 percent of its financial support from its local government, while FCPS must rely on local funds for nearly three-quarters of its budget. Conversely, FCPS only receives 20.9 percent of its funding from the state, significantly less than the 41.3 percent share other Virginia school divisions receive.

An additional source of revenue for FCPS is the federal entitlement funding from the No Child Left Behind Act (NCLB). This funding is accounted for in the Grants and Self-Supporting Programs Fund (see Special Revenue Funds). It is estimated FCPS will receive \$24.7 million in FY 2007. This estimate is based on the FY 2006 award, adjusted to include proposed salary and benefit increases. Actual award amounts will not be known until the first quarter of the fiscal year.



**Funding Source Breakdown
All Virginia School Divisions**



Revenue Comparison* (\$ in millions)

| Category | FY 2006 Approved | FY 2006 Estimate | FY 2007 Proposed | Comparison | | Comparison | |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| | | | | Proposed to Amount | Approved Percent | Proposed to Amount | Estimate Percent |
| Beginning Balance | \$30.0 | \$116.6 | \$15.0 | (\$15.0) | -50.0% | (\$101.6) | -87.1% |
| County Transfer | \$1,431.3 | \$1,431.3 | \$1,572.4 | \$141.1 | 9.9% | \$141.1 | 9.9% |
| Revenue | | | | | | | |
| State Aid | \$232.2 | \$232.2 | \$270.2 | \$38.1 | 16.4% | \$38.1 | 16.4% |
| Sales Tax | 154.2 | 154.2 | 171.3 | 17.1 | 11.1% | 17.1 | 11.1% |
| Federal Aid | 42.2 | 45.2 | 43.1 | 0.9 | 2.2% | (2.1) | -4.6% |
| City of Fairfax | 31.1 | 31.4 | 32.9 | 1.8 | 5.9% | 1.6 | 5.0% |
| Other | 10.4 | 10.4 | 10.5 | 0.2 | 1.7% | 0.2 | 1.7% |
| Subtotal Revenue | \$470.1 | \$473.3 | \$528.2 | \$58.1 | 12.4% | \$54.9 | 11.6% |
| Total School Operating Fund | \$1,931.4 | \$2,021.2 | \$2,115.6 | \$184.2 | 9.5% | \$94.4 | 4.7% |

*Does not add due to rounding.

Operating Revenue - Updated

Nearly seventy-five percent of all operating revenue comes from local county taxpayers.

Beginning Balance \$15.0 million

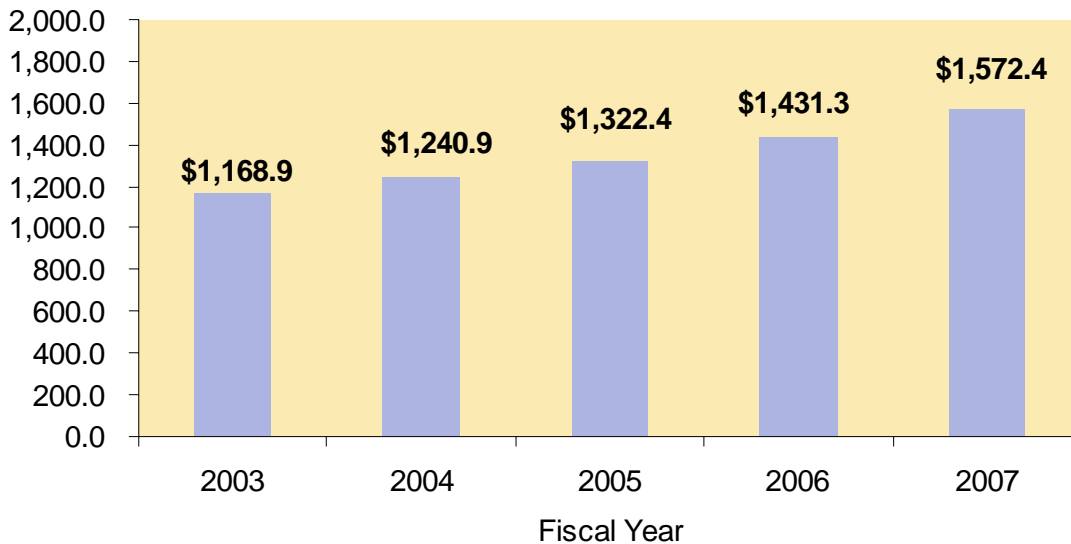
The FY 2007 budget includes a \$15.0 million beginning balance. This balance is the result of savings set aside in the FY 2005 Final Budget Review. Although the beginning balance is not revenue, it is included with the revenue in determining total funds available.

Transfers In-County General Fund \$1.6 billion

Real and personal property tax dollars are the primary revenue sources for Fairfax County. The Board of Supervisors approves a transfer from county funds to FCPS to finance the Operating Fund.

Based on the FY 2007 request, the County General Fund transfer (local tax dollars) will provide 74.3 percent of the Operating Fund's revenue. The transfer is projected to increase 9.85 percent over FY 2006.

County General Fund Transfers to the School Operating Fund
(\$ in millions)



Operating Revenue - Updated

State Aid \$270.2 million

State aid will increase from \$232.2 million in FY 2006 to a projected level of \$270.2 million in FY 2007, an increase of \$38.1 million. This increase is primarily due to routine updates to the Standards of Quality (SOQ) funding rates. State aid is divided into three types of accounts: Standards of Quality, Incentive, and Categorical. A summary of each type is described below.

| State Aid* | |
|------------------|----------------|
| (\$ in millions) | |
| • SOQ/Equalized | \$248.3 |
| • Incentive | 19.4 |
| • Categorical | 2.6 |
| Total | \$270.2 |

* Does not add due to rounding

Standards of Quality (SOQ) Accounts

The Standards of Quality prescribe the minimum foundation program that all public schools in Virginia must meet. Standards are set by the Board of Education, subject to revision only by the General Assembly. The state Constitution gives the General Assembly the responsibility to determine the manner in which state funds are to be distributed to school divisions for the cost of maintaining an education program that meets the SOQ.

The General Assembly also apportions the cost of funding the SOQ between state and local governments. Since FY 1993, the State has implemented a policy of paying 55 percent of the shared SOQ cost, adjusted for each locality by an equalization formula. Equalization is accomplished by the use of the Local Composite Index (LCI), the State's measure of local ability to pay. The LCI mathematically combines three separate measures of local fiscal capacity into a single index, which weighs a locality's ability-to-pay relative to other localities in the state. Counties and cities with a lower composite index receive more state funding, while those with a higher index receive less. The LCI is based on true values of real estate and public service corporations (weighted 50 percent), adjusted gross income (weighted 40 percent), and taxable retail sales (weighted 10 percent), divided by average daily membership (ADM) and population. The LCI is calculated every two years for the State's biennium budget. The LCI for the 2006-2008 biennium is .7456.

| SOQ/ Equalized Accounts | |
|-------------------------|----------------|
| (\$ in millions) | |
| • Basic Aid | \$185.6 |
| • Special Education | 21.9 |
| • ESL | 7.7 |
| • State Retirement | 12.5 |
| • Social Security | 9.8 |
| • Textbooks | 4.1 |
| • Vocational Education | 2.4 |
| • Gifted Education | 1.8 |
| • Remedial Education | 1.9 |
| • State Group Life | 0.6 |
| Total | \$248.3 |

Basic Aid, the primary component of the SOQ, establishes standards for personnel, instructional materials, program and systemwide planning and management, as well as performance objectives for the Virginia Board of Education and local school divisions. Based on an ADM projection of 158,193 students, total Basic Aid is estimated to be \$185.6 million in FY 2007.

In addition to Basic Aid, smaller amounts of SOQ funding are received for special education, vocational education, gifted education, remedial education, English as a second language (ESL), textbooks, state retirement, and social security. Like Basic Aid, each SOQ account is funded by an individual per pupil rate, and equalized by the Local Composite Index (LCI). Based on an Average Daily Membership

Operating Revenue - Updated

(ADM) projection of 158,193 students, the total SOQ funding from non-Basic Aid categories is estimated to be \$62.7 million in FY 2007.

| Incentive Accounts* (\$ in millions) | |
|--|---------------|
| • Lottery | \$9.4 |
| • At-Risk | 1.2 |
| • TJHSST | 1.6 |
| • Compensation Supplement | 3.9 |
| • Primary Class Size K-3 | 2.2 |
| • Early Reading Intervention | 0.9 |
| • SOL Algebra Readiness | 0.3 |
| Total | \$19.4 |

* Does not add due to rounding

Incentive Accounts

Incentive-based payments from the state are not required by law but are intended to target resources for specific student or school needs statewide. In order to receive funding from this category, each school division must provide certification to the State that they will meet the requirements that are unique to each category. For example, the largest incentive category is funded by lottery proceeds. In order to qualify for these funds, a school division must agree to provide a local match, based on the LCI. In addition, at least 50 percent of the lottery funds must be spent on school construction, technology, and modernizing classroom equipment. No more than 50 percent can be spent on recurring costs. Other incentive categories of funding include at-risk students, primary class size, early reading intervention, governor's schools, compensation supplement, and SOL algebra readiness. The total FY 2007 funding from incentive accounts is estimated to be \$19.4 million.

| Categorical Accounts* (\$ in millions) | |
|--|--------------|
| • Wine Tax | \$0.7 |
| • Foster Home | 0.6 |
| • Homebound | 0.2 |
| • Vision Program | 0.1 |
| • Career and Technical Education | 1.0 |
| • Adult Secondary Education | 0.1 |
| Total | \$2.6 |

* Does not add due to rounding

Categorical Accounts

The various categorical programs focus on particular needs of special student populations or fulfill particular state obligations. State or federal law or regulation typically requires these programs. Included in this group is funding for foster home, homebound, vision, career and technical education, and adult secondary education programs. Also included here is funding from wine tax receipts that are distributed to localities based on the latest U.S. Census of the population. The total FY 2007 funding from categorical accounts is estimated to be \$2.6 million.

Operating Revenue - Updated

Sales Tax \$171.3 million

Sales tax revenue is projected to be \$171.3 million in FY 2007, an increase of 11.1 percent. Of the 5.0 cent sales-and-use tax levied in Virginia, one cent of the amount collected is returned directly to the local government for General Fund use and one and one-quarter cent is dedicated to K-12 education. Of the amount collected for K-12 education, one and one-eighth is returned to school districts as sales tax revenue and one-eighth is used to fund the state's share of the Standards of Quality (SOQ). However, when distributing the sales tax revenue to school districts, the state equalizes the funds among the school divisions based on each locality's number of school-age children. If sales tax revenues were distributed to public schools using the same methodology used for local government, FCPS would receive over \$30.0 million in additional revenue in FY 2007.

Federal Aid \$43.1 million

Federal aid is projected to be \$43.1 million in FY 2007. Federal funds are provided through the Impact Aid Program as well as for specific purposes, such as special education and telecommunication programs. Federal programs, except for Impact Aid, are budgeted by the federal government a year in advance of actual use by localities. Actual entitlements, however, are not known until the beginning of the school year.

Impact Aid

Federal Impact Aid provides revenue to local educational agencies for the operating costs of educating children in areas impacted by federal activity. The purpose of the program is to minimize the fiscal inequities caused by both the presence of federal tax-exempt property and the increased burden of providing education to large numbers of children whose parents reside on federal property and/or work on federal installations. Under this program, the majority of funds is provided for pupils whose parents live *and* work on federal property, primarily Fort Belvoir, and a minimal amount for pupils whose parents live *or* work on federal property. Impact aid is projected to be \$3.0 million in FY 2007.

Special Education – Individuals with Disabilities Education Act

The Individuals with Disabilities Education Act (IDEA) provides federal aid to ensure that all school-age handicapped children are provided a free, appropriate public education. Federal funds are used only for the excess cost of educating handicapped students. No locality may spend less on the education of handicapped students than it does for nonhandicapped students. Further, federal funds may not supplant existing locally-funded programs. IDEA funding is projected to be \$33.3 million in FY 2007.

| Federal Aid (\$ in millions) | |
|---------------------------------|---------------|
| • Impact Aid | \$3.0 |
| • IDEA | 33.3 |
| • Federal E-Rate | 3.9 |
| • Miscellaneous | 2.9 |
| Total | \$43.1 |

Operating Revenue - Updated

Federal E-Rate

FCPS participates in the federal E-rate program that provides a fund to discount telecommunication and other technology products and services used by public schools, libraries, and other selected entities. The annual discount is based on the percentage of students eligible for free or reduced-price meals. The total E-rate revenue anticipated in FY 2007 is \$3.9 million.

City of Fairfax Tuition \$32.9 million

Fairfax County Public Schools operates the schools owned by the City of Fairfax. The School Services Agreement between the City of Fairfax and FCPS determines the tuition due to FCPS from the City of Fairfax for educating city students. FCPS is projected to receive \$32.9 million from the City of Fairfax to provide educational services to 2,714 City of Fairfax students projected for FY 2007.

Tuition, Fees, and Other Revenue \$10.5 million

Included in this category is tuition for students who reside outside of Fairfax County including students from neighboring school divisions who attend Thomas Jefferson High School for Science and Technology. Fees include parking permits, musical instrument rentals, and fees for staff development and dues collection. Other revenue is also received for community use of school facilities and the sale of vehicles and equipment.

| Tuition, Fees, and Other (\$ in millions) | |
|--|---------------|
| • Tuition and Fees | \$4.7 |
| • Miscellaneous Revenue | 3.8 |
| • Use of Money and Property | 2.0 |
| Total | \$10.5 |

A five-year revenue detail chart is located in the Appendix of the FY 2007 Proposed Budget.

Operating Expenditures - Updated

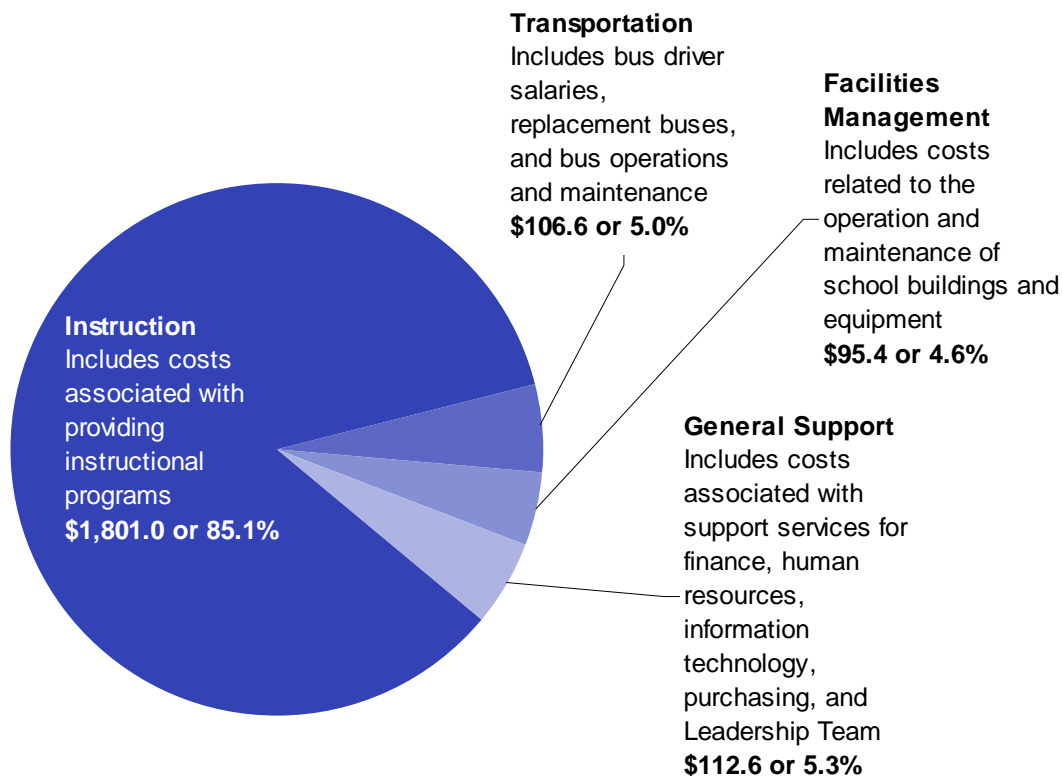
Operating Fund Overview

The FY 2007 proposed expenditures in the Operating Fund total \$2.1 billion, an increase of approximately \$184.2 million, or 9.5 percent, over the FY 2006 approved budget, and an increase of \$94.4 million, or 4.7 percent, compared to the FY 2006 estimate.

The Operating Fund provides for the day-to-day operations and maintenance of the schools. In this section, details are provided on the major categories of expenditures funded through the Operating Fund. A separate budget volume, the Program Budget, will detail these expenditures by program and department provided by FCPS.

Over eighty-five percent of operating expenses are for employee compensation.

Where it goes..... FY 2007 Proposed Operating Expenditures (\$ in millions)



Operating Expenditures - Updated

Expenditures by Category

The chart below illustrates total expenditures by category.

Expenditure Comparison* (\$ in millions)

| | FY 2006 Approved | FY 2006 Estimate | FY 2007 Proposed | Change From FY 2006 Approved | Change From FY 2006 Estimate |
|-------------------------------|---------------------|---------------------|---------------------|------------------------------------|------------------------------------|
| Compensation | | | | | |
| Regular Salaries | \$1,163.3 | \$1,164.2 | \$1,212.8 | 4.3% | 4.2% |
| Hourly Salaries-Contracted | 52.3 | 53.7 | 53.8 | 2.8% | 0.1% |
| Hourly Salaries-Noncontracted | 40.9 | 46.0 | 43.6 | 6.7% | -5.1% |
| Salary Supplements | 17.1 | 20.9 | 38.2 | 123.6% | 82.5% |
| Reimbursable Salaries | (1.9) | (2.2) | (2.0) | 7.8% | -7.4% |
| Employee Benefits | 391.6 | 393.6 | 463.8 | 18.4% | 11.9% |
| Subtotal Compensation | \$1,663.2 | \$1,676.2 | \$1,810.2 | 8.8% | 8.0% |
| Logistics | | | | | |
| Materials and Supplies | \$72.4 | \$87.4 | \$75.8 | 4.7% | -13.3% |
| Utilities | 49.5 | 49.2 | 54.8 | 10.6% | 11.3% |
| Other Operating Expenses | 12.5 | 33.1 | 15.3 | 22.4% | -53.8% |
| Privatized Services | 33.8 | 55.9 | 42.5 | 25.4% | -24.0% |
| County Services | 23.3 | 23.9 | 26.8 | 15.4% | 12.1% |
| Capital Outlay | 34.8 | 43.7 | 35.0 | 0.4% | -20.0% |
| Other Funds | 6.7 | 6.7 | 6.7 | 0.0% | 0.0% |
| School Board Reserve | 0.0 | 4.8 | 0.0 | 0.0% | 0.0% |
| Subtotal Logistics | \$233.1 | \$304.7 | \$256.9 | 10.2% | -15.7% |
| Transfers | \$35.1 | \$40.4 | \$48.6 | 38.2% | 20.3% |
| Total | \$1,931.4 | \$2,021.2 | \$2,115.6 | 9.5% | 4.7% |

* May not add due to rounding.

Compensation

The majority of the budget, over 85 percent, is for employee compensation, reflecting the fact that education is a labor-intensive enterprise. This includes salaries for full-time equivalent positions, hourly salaries, supplements, and employee benefits. The FY 2007 compensation portion of the budget totals \$1.8 billion, an increase of \$147.0 million or 8.8 percent over the FY 2006 approved budget.

| Impact of Market Scale Adjustment and Step on Compensation Budget (\$ in millions) | |
|---|---------------|
| • Market Scale Adjustment (3.0%) | \$46.5 |
| • Step Increments | \$38.0 |
| • Salary Lapse (35.8) | (35.8) |
| • Net Cost of Step | 2.2 |
| Total | \$48.7 |

Salaries

\$1.2 billion

Position salary accounts total \$1.2 billion for 22,040.2 full-time equivalent salaried employees, an increase of \$48.6 million, or 4.2 percent over the FY 2006 estimate. This increase is due to an average salary adjustment of 6.0 percent for eligible employees, which includes step increments. The net increase of \$48.6 million also includes anticipated savings from employee turnover and vacancy.

Operating Expenditures - Updated

Hourly Salaries/Supplements **\$133.6 million**

The budget for this category totals \$133.6 million, an increase of \$25.2 million, or 23.2 percent over the FY 2006 approved. This increase is primarily the result of placeholder funding in the amount of \$20.0 million for the “Supporting and Rewarding Excellence” initiative.

Salary Lapse

- Turnover: Position turnover represents the savings realized when experienced employees retire or leave the system and are replaced by workers with less experience, who earn a lower salary. For FY 2007, the savings resulting from turnover is budgeted at \$23.9 million.
- Vacancy: The FY 2007 budget has also been reduced by \$11.9 million to recognize position vacancies anticipated throughout the year.
- Annual savings from position turnover and vacancy can fluctuate as a result of changes in the economy, compensation adjustments, and other employee initiatives by FCPS. The FY 2007 total adjustment for anticipated turnover and vacancy is \$35.8 million, of which \$28.6 is budgeted regular salaries and \$7.2 million is budgeted employee benefits, representing approximately 2.1 percent of total compensation.

Employee Benefits **\$463.8 million**

Employee benefits total \$463.8 million, an increase of \$72.2 million, or 18.44 percent over the FY 2006 approved. This increase includes turnover and vacancy savings and is primarily due to the following:

- The employer cost for health and dental insurance is increasing \$12.2 million due to rate increases in most plans.
- In FY 2007, the employer contribution rate to VRS will increase to 13.76 percent from 10.67 percent. This increase of 3.09 percent totaling \$34.7 million includes a VRS rate increase of 2.59 percent and 0.5 percent to continue FCPS’ commitment to phase out the employee share of VRS contributions. The employer contribution rate to ERFC will remain at 3.37 percent. The employer contribution rate to Fairfax County Employees’ Retirement System (FCERS) will increase to 9.25 percent from 8.24 percent, representing an increase of \$1.6 million.

| Employee Benefits (\$ in millions) | |
|---------------------------------------|----------------|
| • Health Insurance | \$144.3 |
| • Retirement | 205.9 |
| • Workers' Compensation | 6.8 |
| • Social Security | 103.2 |
| • Life Insurance | 10.4 |
| • Unemployment Compensation | 0.4 |
| • Turnover/Vacancy | (7.2) |
| Total | \$463.8 |

Operating Expenditures - Updated

| Health and Dental Insurance Actives Average Enrollment History | | | |
|---|---------------|---------------|---------------|
| Plan | FY 2005 | FY 2006 | FY 2007 |
| Health | 17,824 | 18,318 | 19,079 |
| Dental | 16,477 | 16,970 | 17,018 |
| Total | 34,301 | 35,288 | 36,097 |

FCPS offers a comprehensive benefits package to meet the needs of those beginning new careers, starting second careers, or continuing to seek the challenges and rewards of knowing that what they do has a tremendous impact on children.

- The FY 2007 budget includes \$10.4 million for life insurance. In FY 2007, \$9.8 million is allocated to resume payments for Virginia State Life Insurance following a four year premium holiday. An additional \$0.6 million is budgeted for County life insurance.

Employee Benefits Summary

| | Employer Contribution | Employee Contribution |
|--|-----------------------|-----------------------|
| Educational Employees' | | |
| Supplementary Retirement System of Fairfax County (ERFC) | 3.37% | 4.00% |
| Virginia Retirement System | 13.76% | 1.00% |
| Fairfax County Employees' | | |
| Retirement System (FCERS) | 9.25% | 5.33% |
| Social Security | 7.65% | 7.65% |
| Health Insurance ^{1/, 2/} | | |
| Family Plan | \$10,561/year | \$3,518/year |
| Individual Plan | \$4,787/year | \$844/year |
| Dental Insurance ^{3/, 4/} | | |
| Family Plan | \$740/year | \$317/year |
| Individual Plan | \$307/year | \$132/year |
| County Life Insurance | \$3.48/\$1,000 | 0.0 |
| State Life Insurance | 0.88% | 0.34% |
| Long-Term Disability | 0.0 | \$.25/\$100 |

^{1/} Based on Blue Card (PPO) Insurance

^{2/} Health insurance rates based on calendar year 2006

^{3/} Based on Aetna Dental (DPPO) Insurance

^{4/} Dental insurance rates based on calendar year 2006

Logistics

The FY 2007 logistics portion of the budget totals \$256.9 million, an increase of \$23.8 million, or 10.2 percent over the FY 2006 approved budget. This amount consists of the following major categories:

Materials and Supplies \$75.8 million

This category includes major expenditures for instructional materials, supplies, custodial supplies, additional equipment, testing allocations, and library materials. The total expenditure of \$75.8 million represents an increase of \$3.4 million, or 4.7 percent, over the FY 2006 approved budget. The increase is due primarily to science, social studies, and language arts textbook adoptions.

Operating Expenditures - Updated

The chart below provides examples of budgets for instructional and textual materials. These budgets are based on per-pupil allocations. Details on the standard allocation rates are provided in the appendix.

The Thomas Jefferson High School for Science and Technology textbook and supply allotment is calculated at a higher rate than the other high school allotments.

Both instructional supply and textbook accounts have been reduced by a 15 percent set-aside held in a central account. After an assessment of revenue and expenditure trends prior to the FY 2007 Midyear Budget Review, a determination will be made to either return the funds to the schools and centers or to reallocate them to address other school system needs.

| Logistics (\$ in millions) | |
|-------------------------------|----------------|
| • Materials & Supplies | \$75.8 |
| • Utilities | 54.8 |
| • Other Operating Expenses | 15.3 |
| • Privatized Services | 42.5 |
| • County Services | 26.8 |
| • Capital Outlay | 35.0 |
| • Other Funds | 6.7 |
| Total | \$256.9 |

Instructional Materials Budget Examples

| Level | Enrollment | Supplies | Textbooks |
|------------|------------|----------|-----------|
| Elementary | 600 | \$29,400 | \$67,302 |
| Middle | 1,000 | \$49,000 | \$140,770 |
| High | 1,900 | \$96,900 | \$306,394 |

Utilities \$54.8 million
 The utilities budget totals \$54.8 million, an increase of \$5.2 million, or 10.6 percent over the FY 2006 approved, and \$5.6 million over the FY 2006 estimate. This budget provides for the divisionwide use of electricity, fuel oil, natural gas, telephone, water, sewer, and refuse collection. The Department of Facilities and Transportation Services has aggressively instituted several energy and cost-saving measures in recent years. FCPS participates in contracts negotiated on behalf of a consortium of governmental agencies in the metropolitan area to obtain the most favorable pricing available, and has also locked in rates on some escalating utilities to secure prices and more accurately budget for long-term needs. When funds allow, facilities have been retrofitted to improve energy efficiency, and conservation efforts and energy performance award programs are in place to further reduce costs.

| Utilities (\$ in millions) | |
|-------------------------------|---------------|
| • Telephones | \$12.7 |
| • Electricity | 23.7 |
| • Fuel Oil & Natural Gas | 14.4 |
| • Water, Sewer, & Refuse | 4.0 |
| Total | \$54.8 |

- The telephone budget for FY 2007 is \$12.7 million. This funding provides for per-call charges and line charges for all phones, faxes, and modems. This budget increased \$0.1 million over the FY 2006 approved budget.

Operating Expenditures - Updated

- The electricity budget of \$23.7 million is an increase of approximately \$1.7 million, or 7.7 percent over the FY 2006 approved and provides heating, air conditioning, building and field lighting, and power throughout FCPS.
- The fuel oil and natural gas allocation for FY 2007 is budgeted at \$14.4 million, which is a \$4.3 million increase over the FY 2006 approved. The water, sewer, and refuse budgets total \$4.0 million and represent a decrease of \$0.9 million from the FY 2006 approved and a \$0.1 million decrease from the FY 2006 estimate. This level of funding will be monitored closely during the year due to the instability of energy prices. Any recommended adjustments to the FY 2007 utilities budget will be included in the FY 2007 approved budget agenda.

Energy Cost-Saving Measures

- Energy efficient building design in new construction and renovation using Leadership in Energy and Environmental Design (LEED) criteria/concepts
- Competitive Utility Procurement Contracts enable FCPS to actively pursue the best rate/price for utilities (gas and oil) to control costs and address energy market changes
- The energy performance program is a self-funded capital improvement program that reduces FCPS' energy and operating costs by replacing inefficient and antiquated building system equipment. The new or updated equipment reduces energy costs, and those cost savings fund the new energy-efficient systems. After the school system has paid for the facilities improvements, FCPS will continue to realize significant energy cost savings that can be applied to instructional programs.

Other Operating Expenditures \$15.3 million
 Major expenditures in this category include travel, staff training, school initiatives, and reserves. The FY 2007 budget totals \$15.3 million, a decrease of 17.8 million or 53.8 percent from the FY 2006 estimate and an increase of \$2.8 million or 22.4 percent over the FY 2006 approved. This increase is due primarily to IDEA in FY 2007.

Privatized Services \$42.5 million
 Major expenditures in this category include equipment maintenance contracts including copiers, professional/consulting services, private transportation costs, and equipment and building rental fees. Funding is increased \$8.6 million or 25.4 percent over the FY 2006 approved. The primary increase is due to a realignment of copier lease funds from capital outlay to privatized services. There were significant increases in energy management service contracts and consulting fees for the 24/7 learning enhancements and curriculum and assessment initiatives.

County Services \$26.8 million
 Expenditures in this category result in a net increase of \$3.6 million, or 15.4 percent over the FY 2006 approved. This is due primarily to the increased costs for fuel, labor, and parts. All FCPS vehicles are maintained, repaired, and fueled by the county's Department of Vehicle Services (DVS).

Capital Outlay \$35.0 million
 Major expenditures in this category include replacement vehicles and buses, temporary buildings, replacement and additional equipment, equipment and software leases, and facility

Bus Facts

| | |
|------------------------|------------|
| • Total Riders | 127,852 |
| • Number of buses | 1,584 |
| • Average age of buses | 6.6 years |
| • Annual miles driven | 19,264,556 |

Operating Expenditures - Updated

modifications. Expenditures in this category result in a net decrease of \$8.7 million or 20.0 percent from the FY 2006 estimate and a \$0.2 million increase or 0.4 percent over the FY 2006 approved.

- **Replacement Buses:** The FY 2007 budget includes \$12.7 million in lease/purchase payments for buses. This includes \$10.5 million for the FY 2003 through FY 2006 lease/purchases, and \$2.2 million for the FY 2007 lease/purchase of 105 replacement buses. FY 2006 funding for replacement buses was reduced by \$1.0 million to balance the FY 2006 budget. During the FY 2005 Final Budget Review funding of \$1.0 million was restored and an additional \$1.0 million was allocated to purchase replacement buses. FY 2007 funding for replacement buses represents a decrease of \$0.9 million from the FY 2006 estimate and an increase of \$1.4 million over the FY 2006 approved.
- **Replacement/Additional Equipment:** The FY 2007 budget of \$7.0 million reflects an increase of \$4.6 million or 190.6 percent over the FY 2006 approved. Replacement equipment was reduced by \$3.8 million at the FY 2006 approved and later restored at the FY 2005 Final Budget Review.
- **Replacement/Additional Vehicles:** Funding of \$1.0 million will provide payments due for vehicles obtained through lease/purchase in FY 2004 and FY 2005. Vehicle replacement accounts decreased \$0.6 million, or 39.6 percent from the FY 2006 approved.
- **Temporary Buildings:** The FY 2007 budget includes \$6.2 million for temporary buildings, no change from the FY 2006 approved. FCPS educates more than 12,000 students in 700 trailers.
- **Equipment, Computer, and Software Leases:** The FY 2007 budget totals \$0.2 million for equipment leases, a decrease of \$0.2 million or 51.8 percent from the FY 2006 estimate and a decrease of \$5.4 million or 96.2 percent from the FY 2006 approved. This decrease is the result of a realignment of copier lease funds to privatized services. The computer and software leases total \$5.4 million, a decrease of \$1.8 million or 24.8 percent from the FY 2006 estimate and no change from the FY 2006 approved.
- **Facility Modifications:** The FY 2007 budget totals \$2.4 million, a decrease of \$1.6 million or 40.2 percent from the FY 2006 estimate and a \$0.2 million or 8.1 percent increase over the FY 2006 approved.

| Capital Outlay (\$ in millions) | |
|--|---------------|
| • Replacement Buses | \$12.7 |
| • Replacement/Additional Equipment | 7.0 |
| • Replacement/Additional Vehicles | 1.0 |
| • Temporary Buildings | 6.2 |
| • Equipment, Computer, & Software Leases | 5.6 |
| • Facility Modifications | 2.4 |
| Total* | \$35.0 |

*Does not add due to rounding

FCPS educates more than 12,000 students in 700 trailers.

Operating Expenditures - Updated

Other Funds \$6.7 million

Expenditures of \$6.7 million are budgeted in this category for the purchase of commercial property insurance and the administration of self-insurance accounts for liability. There is no change in the level of funding from the FY 2006 approved budget.

Transfers \$48.6 million

Transfers in FY 2007 total \$48.6 million, an increase of \$8.2 million, or 20.3 percent over the FY 2006 estimate and \$13.4 million or 38.2 percent over the FY 2006 approved.

Construction

The transfer to the Construction Fund of \$13.2 million is a \$2.4 million increase over the FY 2006 approved. Transfers are made for the following categories:

| Transfers (\$ in millions) | |
|-------------------------------|---------------|
| • Construction | |
| Equipment Transfer | \$3.2 |
| Facility Modifications | 0.6 |
| Building Maintenance | 9.4 |
| • Grants | 10.1 |
| • Summer School | 19.8 |
| • Adult & Community Ed | 1.7 |
| • Debt | 3.8 |
| Total | \$48.6 |

- **Equipment Transfer:** Equipment funding for new construction, renewals, and additions is provided through a transfer from the Operating Fund to the Construction Fund. In FY 2007, the transfer of \$3.2 million represents one-third of the projected requirement. School bond funding is used to address the balance of the equipment funding needs.
- **Facility Modifications:** A transfer of \$0.6 million from the Operating Fund to the Construction Fund supports facility modifications to schools. The modifications only include remarking parking lots, installing electrical switches, replacing windows, and other minor improvements.
- **Building Maintenance:** Funding for building maintenance is \$9.4 million, a \$2.6 million increase over the FY 2006 approved budget and no change from the FY 2006 estimate. In order to balance the FY 2006 approved budget, funding of \$2.6 million was reduced from building maintenance. During the FY 2005 Final Budget Review the \$2.6 million was restored. Funding for major infrastructure maintenance is required to prevent failure of critical systems, deterioration of major capital investments, and significant health and safety hazards. The annual requirement for major maintenance is \$12 to \$14 million per year. However, due to recent budget constraints, maintenance programs have been seriously restricted. These funding reductions have, among other things, deferred repair of boilers; maintenance of ball fields, outdoor bleachers, and running tracks; replacement of auditorium seats; resurfacing of roads, parking lots, and play areas; carpet replacement;

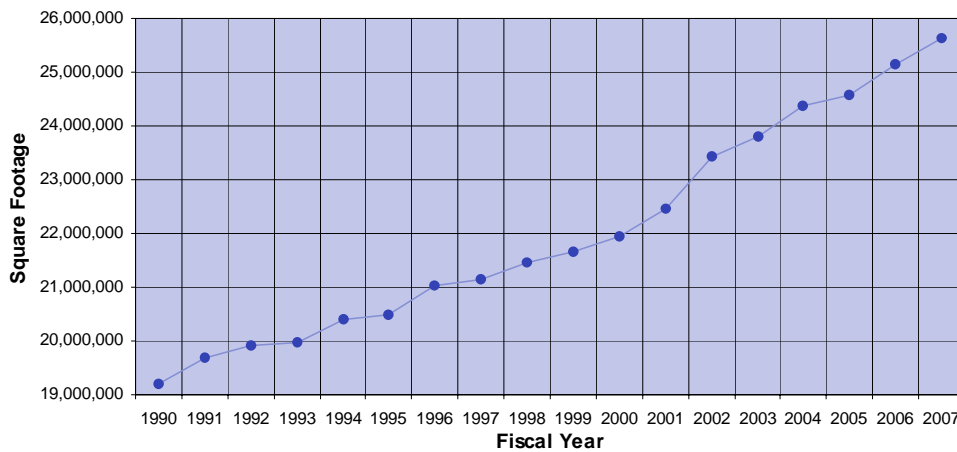
Operating Expenditures - Updated

chalkboard refinishing; security systems upgrades; replacement of deteriorating light poles; and other upgrades, replacements, and maintenance programs.

Grants

The transfer to the Grants Subfund is \$10.1 million, an increase of \$2.9 million, or 40.9 percent over the FY 2006 estimate and \$3.1 million or 43.5 percent over the FY 2006 approved. This represents the School Operating Fund portion of the Early Childhood Education Program at \$7.4 million, and the Fairfax City Equipment Purchase Account at \$2.7 million.

FCPS Growth in Building Square Footage History



Summer School

To support the cost of summer school, \$19.8 million is transferred to the Summer School and SOL Remediation Subfund from the Operating Fund. This represents an increase of \$4.8 million or 32.2 percent over the FY 2006 estimate and \$6.0 million or 43.8 percent over the FY 2006 approved. Among the activities funded by the Summer School and SOL Remediation Subfund are opportunities to enhance skills, prepare for the Virginia Standards of Learning, and gain credits for high school completion. The total cost of summer school is \$23.2 million. The FY 2007 budget includes \$1.5 million in new resources to expand community-based summer school at ten elementary and three middle schools and expand remediation classes for SOL courses for the fourth and sixth grade students who are now required to take SOL tests and may need extra time to learn. The projected FY 2007 summer school enrollment is 23,075.

Operating Expenditures - Updated

Adult and Community Education

The transfer to the Adult and Community Education (ACE) Fund is \$1.7 million, an increase of \$0.5 million from the FY 2006 approved. Of this amount, \$1.5 million is used to support adult ESOL programs, and \$0.2 million provides funding for technical support of the ACE registration system and new resource funds (\$70,000) for the Education for Independence Program. The total budget for ACE is \$11.6 million. The projected FY 2007 Adult and Community Education enrollment is 58,429.

County and Schools Consolidated Debt Fund

The FY 2007 budget includes \$3.8 million for the lease payment on the consolidated administrative building, an increase of \$1.8 million from the FY 2006 approved. The building was purchased by the county using Economic Development Authority bonds. FCPS will make a yearly transfer to the county to fund the debt service beginning in FY 2006 and ending in FY 2035.

A five-year expenditure detail chart can be found in the Appendix of the FY 2007 Proposed Budget.